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Human Capital Trends 2015

Canadian perspectives on
the new world of work



GLOBAL HUMAN CAPITAL TRENDS 2015

LEADING IN THE NEW WORLD OF WORK

Today's global organizations must navigate a "new world of work" that has turned traditional assumptions about talent management upside down. In this new world, the gap between growing business needs and HR capabilities is becoming increasingly wide. Many organizations cannot keep up.

Deloitte's Global Human Capital Trends 2015 report—based on responses from more than 3,300 business and HR leaders from 106 countries—is a leadership guide to the new thinking required to navigate the demands of the new world of work. This year's 10 trends are focused on four broad areas.

LEADING



Leadership: Why a perennial issue?

Companies are struggling to develop leaders at all levels and are investing in new and accelerated leadership models.



Learning and development: Into the spotlight

Companies are actively exploring new approaches to learning and development as they confront increasing skills gaps.

ENGAGING



Culture and engagement: The naked organization

Organizations are recognizing the need to focus on culture and dramatically improve employee engagement as they face a looming crisis in engagement and retention.



Workforce on demand: Are you ready?

Companies are taking a more sophisticated approach to managing all aspects of the workforce, including the hourly, contingent, and contract workforce.



Performance management: The secret ingredient

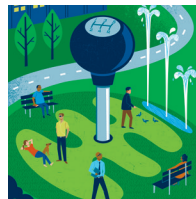
Organizations are replacing traditional performance management with innovative performance solutions.

REINVENTING



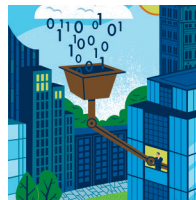
Reinventing HR: An extreme makeover

HR is undergoing an extreme makeover to deliver greater business impact and drive HR and business innovation.



HR and people analytics: Stuck in neutral

Too few organizations are actively implementing talent analytics capabilities to address complex business and talent needs.



People data everywhere: Bringing the outside in

HR and talent organizations are expanding their HR data strategies by harnessing and integrating third-party data about their people from social media platforms.

REIMAGINING



Simplification of work: The coming revolution

Organizations are simplifying work environments and practices in response to information overload and increasing organization and system complexity, and information overload.



Machines as talent: Collaboration, not competition

The increasing power of computers and software to automate and replace knowledge workers is challenging organizations to rethink the design of work and the skills their employees need to succeed.

PREFACE



The “new world of work” presents Canada’s business and HR leaders with significant challenges—and exciting opportunities.

In this new world, technology has all but erased the line between our work and personal lives. People communicate with customers and team with colleagues—many of whom work on a contingent, contract or otherwise “on demand” basis—around the globe to keep businesses moving forward 24/7. The relationship between employers and employees has shifted, making today’s employees more like partners or even customers. And demographic shifts are bringing new attitudes and expectations to the workplace.

Deloitte’s 2015 human capital trends survey explores several key talent challenges facing today’s organizations in this new world of work, as well as businesses’ capacity to address those challenges. More than 3,300 business and HR leaders from 106 countries were surveyed or interviewed for our research. The report you are reading draws on the responses of 118 Canadian leaders who took part in our global study, and it focuses on a number of key trends that we believe Canadian organizations must address if they are to compete in the years to come. If you would like to take a more detailed look at our research into global talent priorities and readiness, I invite you to use our interactive Human Capital Trend Dashboard tool (www.deloitte.com/hcdashboard).

I hope this report sparks important conversations about today’s human capital challenges and opportunities and what these mean to your organization. If you have questions about our research or would like to discuss your organization’s talent management needs, please feel free to contact me or one of the Deloitte professionals listed at the end of our report.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Stockton', with a long, horizontal flourish extending to the right.

Heather Stockton
Practice Leader, Human Capital Consulting
Deloitte Canada

ARE CANADIAN ORGANIZATIONS READY FOR THE NEW WORLD OF WORK?

Across Canada and around the globe, organizations find themselves confronting the challenges—as well as the opportunities—of the “new world of work.” Having already changed how, when and where work gets done, technology is now making the global, on-demand workforce a reality. At the same time, shifting demographics are bringing new attitudes and expectations into the workplace. Finding a way forward is essential, but it will demand new ways of thinking about leadership, talent and the Human Resources function.





How do Canadian organizations view this new world of work? How do their views compare to those of their global counterparts? And what human capital trends and developments most concern their leadership and HR teams?

For several years, Deloitte has explored the future of work, both in Canada and around the world. Our 2015 *Global Human Capital Trends* report, based on surveys and interviews with more than 3,300 business and HR leaders worldwide, collects and shares global perspectives on talent, leadership and HR challenges and readiness.

To gain a uniquely Canadian perspective on these issues, we drew on the responses of the 118 Canadian leaders who took part in our global research, representing a cross-section of small, mid-sized and large organizations.

We discovered that Canadian business and HR leaders are well aware of the challenges they face—from developing leaders to reinventing HR itself to ensuring their organizations have the talent they need to meet tomorrow's competitive needs. These organizations are taking steps to address these issues, but they're finding that as the workplace evolves, so do these challenges. As a result, Canadian organizations still find themselves trying to overhaul their leadership model, transform their HR functions and strengthen their ability to build and manage a nimble, scalable, possibly global workforce.

We believe Canadian businesses can overcome these challenges, but it will take a commitment to action throughout an organization – this is not HR's problem to solve alone. Business and HR leaders need to reject slow, incremental change and instead move quickly to embrace new thinking and bold, meaningful evolution. They need to intensify their focus on developing new leaders. They need to enhance their organization's agility and ability to solve problems quickly. And, above all, they must inspire, encourage and *lead* their people in order to drive their organizations forward faster.

TOP HUMAN CAPITAL CHALLENGES OF 2015

While their relative importance may have shifted, the key human capital issues that Canadian organizations face have changed little from the prior year. Leadership once again tops the Canadian top trends list, followed closely by concerns over culture and engagement; the latter trend has surged to the top of the list of global concerns this year. Figure 1 lists 2015's top 10 human capital trends in Canada and globally; Figure 2 highlights the capability gaps that exist across each of these trends.

FIGURE 1 2015 TOP TEN SELECTED HUMAN CAPITAL TRENDS: CANADA VS. GLOBAL

Rank	Canada	Global
1	Leadership ⁽¹⁾	Culture and engagement ⁽²⁾
2	Culture and engagement ⁽²⁾	Leadership ⁽¹⁾
3	Learning and development ⁽⁵⁾	Learning and development ⁽⁸⁾
4	Reinventing HR ⁽¹¹⁾	Reinventing HR ⁽³⁾
5	Workforce capability ⁽³⁾	Workforce capability ⁽⁵⁾
6	HR & people analytics ⁽⁹⁾	Performance management ⁽⁹⁾
7	Performance management ⁽⁷⁾	HR & people analytics ⁽¹²⁾
8	Simplifying work ^(N/A)	Simplifying work ^(N/A)
9	Machines as talent ^(N/A)	Machines as talent ^(N/A)
10	People data everywhere ^(N/A)	People data everywhere ^(N/A)

Note: Ranking based on the importance index score. 2014 rankings for each trend are shown in parentheses.

In this report, we are focusing on a number of trends that we believe Canadian organizations must address to position themselves to succeed in the years to come: leadership; culture and engagement; workforce capability; and reinventing HR. Leadership and its close companion, culture and engagement, shape and influence each other and define the organization's values, priorities and ways of working. This, in turn, plays a key part in attracting, engaging and retaining talent—and as we will see in exploring workforce capability, much of this talent will be accessed on demand. Finally, reinventing HR is a complex task that requires organizations' urgent attention if HR is to deliver what the business will need in the years to come.



FIGURE 2 RELATIVE IMPORTANCE OF CANADIAN HUMAN CAPITAL TRENDS

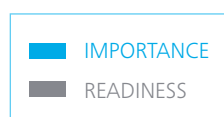
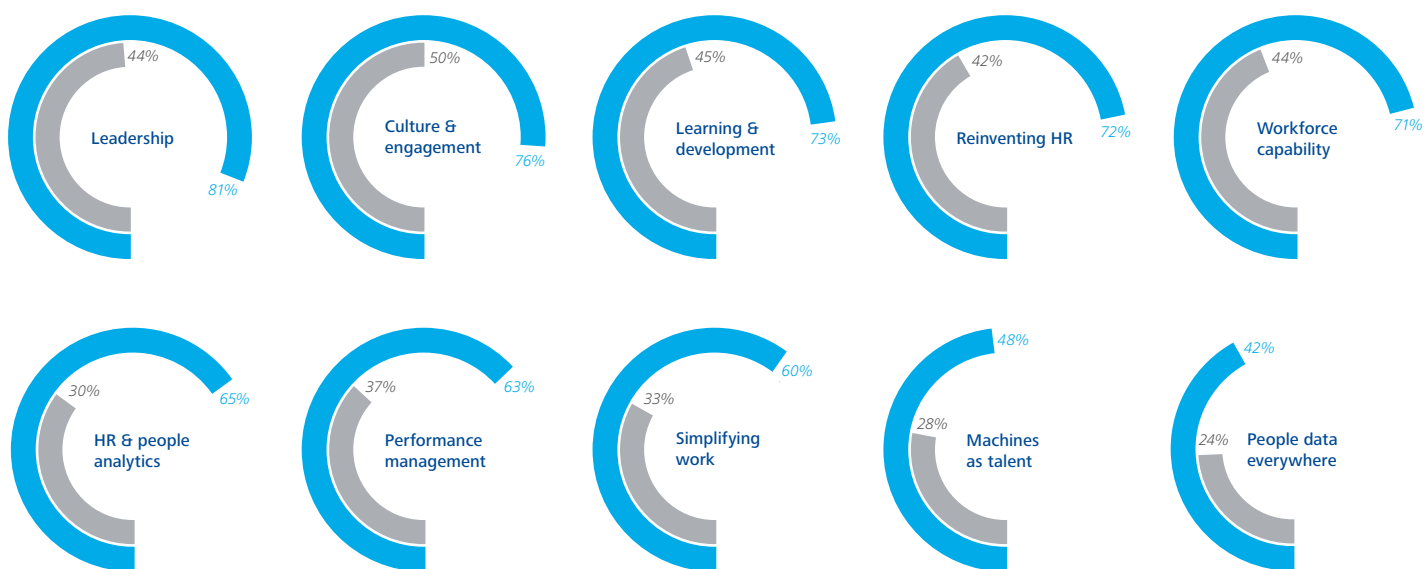


Figure 2 shows respondents' ratings of the importance of 10 talent challenges alongside their rated readiness to address each challenge. These data highlight substantial capability gaps in all 10 areas (difference between importance and readiness).

Note: We asked respondents to rate each issue's "importance" and their organization's "readiness" to address it on a four-point scale: "not important/ready," "somewhat important/ready," "important/ready," and "very important/ready." These ratings were then indexed on a 0–100 scale in which 0 represents the lowest possible degree of importance/readiness ("not important/ready"), and 100 represents the highest possible degree of importance/readiness ("very important/ready"). An overall index score was calculated for each trend using the respondents' ratings of "importance" and "readiness."



LEADERSHIP AND CULTURE: ONE AND THE SAME?



Leadership again tops the list of Canadian human capital trends, followed closely by culture and engagement. This isn't an entirely surprising development: While leadership is a perennial concern, more and more organizations are starting to see that culture isn't a "soft" issue—but a key factor that can have a measureable impact on business performance. This may explain why culture and engagement is the top trend among global respondents this year.

Among Canadian respondents, 90% see leadership as an important or very important business concern—and 86% rank culture and engagement issues the same. As well, more than half of respondents see leadership and culture matters as their most pressing short-term priorities.

There are strong links between these two trends. Leaders set the tone for an organization and their behaviours shape and nurture the organizational culture. When an organization's culture is well aligned with its values and business goals, it can significantly improve employee engagement and drive performance. Kotter and Heskett's landmark study *Corporate Culture and Performance* documented that over an 11 year period, organizations with performance-enhancing cultures saw a 901% growth in their stock price vs. a 74% growth for organizations that do not have performance enhancing cultures.¹

But developing leaders with the skills, knowledge and global outlook needed to foster a strong culture and provide the foundation for success is proving a challenge in Canada.

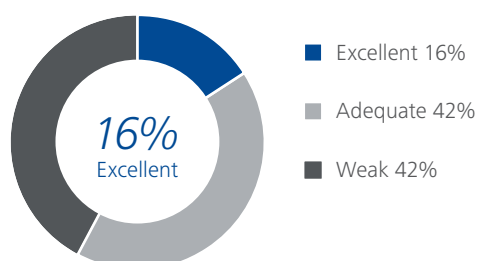
Only 33% of Canadian respondents feel their organizations are well-equipped to address this challenge; this is up from 20% last year, indicating that organizations are making some progress.

In particular, organizations appear to be struggling with developing leaders in a modern, multigenerational workplace where increased competitive intensity, rising productivity expectations and continual technology innovation disrupt business daily. While many boomers continue to work, others are retiring, with Generation X and millennials stepping into their roles. In an increasingly complex business environment, creating a leadership model and therefore culture that is attractive and engaging for today's new workforce has never been more vital—or more challenging.

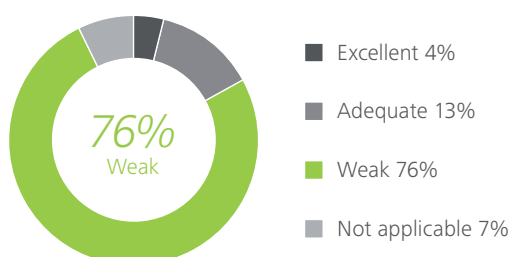
As demonstrated in Figure 3, it is proving tough for Canadian organizations to deliver what's needed. More than half (58%) of respondents say their organizations are providing at least adequate leadership programs for new, next-generation and senior leaders. However, 76% felt they were failing to provide leadership programs that meets the needs of millennials.

FIGURE 3 LEADERSHIP PROGRAM OFFERINGS

Providing leadership programs for all levels
(new, next generation, senior leaders)



Providing focused leadership programs for millennials



¹ John P. Kotter and James L. Heskett, "Corporate Culture and Performance," Free Press, 1992.

Moreover, these programs may not equip leaders to succeed in a world of global competition and rapid technological change. Only 43% of the organizations surveyed provide experiential, role-based leadership programs—and a mere 24% say they include global skills and experience as part of their leadership development. Are Canadian organizations preparing leaders for a world that no longer exists?

On a more encouraging note, Canadian organizations feel much more capable of taking on culture and engagement issues: 89% of respondents believe their organizations are at least somewhat ready to address this trend, up from 74% last year. Seventy-five percent believe they understand their current workplace culture—which may have something to do with the fact that 71% of respondents frequently monitor employee engagement. As engagement measurement tools give way to more interactive and real time measurement techniques, it will be interesting to see whether organizations remain this confident.

However, work-life balance issues continue to pose challenges to many organizations: commuting times grow, employer expectations rise, and technology

and teaming across multiple time zones lengthen the working day and make it easy for workers to stay constantly connected. Today's employees are under enormous pressure to balance professional and personal demands, and 44% of Canadian respondents feel they are poorly equipped to help them do so.

Corporate social responsibility programs are another powerful way organizations can express their culture, yet 42% of Canadian respondents struggle to integrate them into their organization. Why? It may be that corporate social responsibility programs are just one demand too many for employees already juggling professional and personal obligations—or it may be a sign of a disconnect between a those programs and an organization's culture.

Leadership drives culture, of course. A leader's words, actions and priorities show people what is and isn't important to an organization. To build a strong culture, organizations must hold leaders accountable for this. In turn, organizations need to invest in leaders, enabling them to become more agile and inclusive in their thinking and to connect with and inspire their workforces in new and innovative ways.

WORKFORCE CAPABILITY



So what do people want from work? Research has shown that no matter the demographic, people want the same things, such as meaningful work and opportunities to learn and grow. What is different, though, is how people want to achieve what they want. A growing number of workers around the world are choosing to chart their own independent path. It's a trend that is changing the workforce and forcing organizations to take a new approach to workforce capability.

Today's workforce goes by many names: the "open talent economy," "freelance nation," the "on-demand workforce" and more. Each of these descriptions captures what makes the modern workforce unique. Enabled by technology and connectivity, many people worldwide are choosing to work for themselves, offering their experience and knowledge to companies for a year, a month, or even a single project.

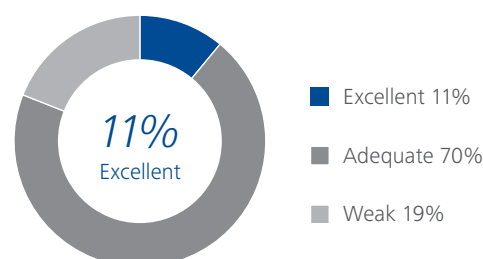
More and more organizations are reaching out to this open talent economy to access talent when and where it's needed. An on-demand workforce helps organizations respond nimbly to opportunities, scale up or down as required, and tap into world-class expertise that could be too difficult—or costly—to bring in full-time. Nearly half (47%) of the Canadian organizations we surveyed plan to increase their use of contingent, outsourced, contract or part-time workers in the next three to five years.

Workforce capability, as we call this evolution in how companies access and manage talent, is clearly on business leaders' radar: 80% of Canadian respondents view it as an important or very important trend to watch. More than half (53%) see it as a long-term priority, suggesting that leaders recognize that this extended workforce is here to stay.

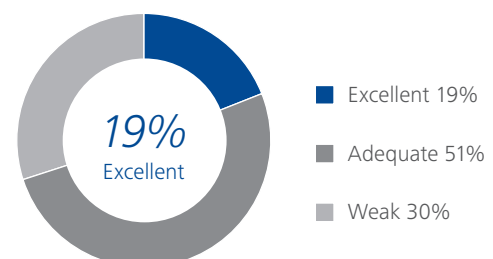
As organizations and HR departments are discovering, managing a workforce that extends beyond the company's boundaries can be challenging, requiring a fine understanding of what skills are needed—and where to find them. It is encouraging to note that most (85%) Canadian leaders feel their organizations are at least somewhat ready to address the challenges posed by workforce capability issues. Four out of five respondents (81%) believe their organizations have an adequate or better understanding of the skill and capability gaps their organizations currently face, and close to three-quarters (70%) feel they have at least an adequate sense of where to find the skilled workers they need. Figure 4 outlines leaders' perceptions of their organization's ability to address these workforce capability trends.

FIGURE 4 UNDERSTANDING CAPABILITY GAPS AND THE LOCATION OF SKILLED WORKERS

Understanding current skills and capability gaps



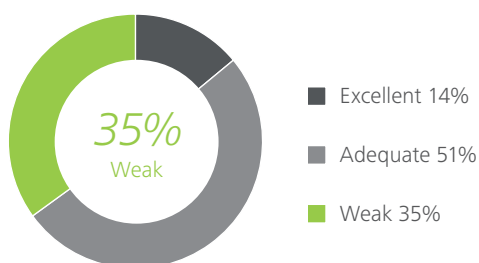
Understanding where skilled workers are located



Respondents are on shakier footing when it comes to long-term needs, however. As Figure 5 demonstrates, 35% of Canadian organizations feel they have a weak understanding of future skill requirements. Overcoming this challenge is vital if Canadian businesses are to succeed. Global competition for talent will only intensify in the years to come, and understanding future skills needs early will position organizations to train their people and identify other talent pipelines that will help them build the workforce they will need.

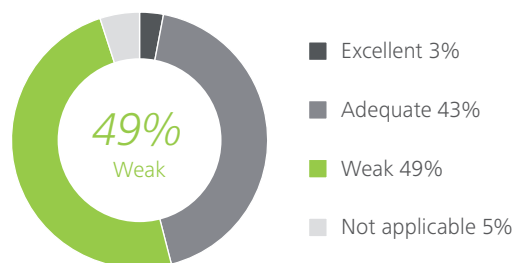
Anticipating future skill and workforce requirements need not be left to instinct, “gut feeling” or guesstimates. Business leaders and their HR advisors can—and should—harness the power of technology and data analytics to develop insightful, data-driven forecasts of likely workforce needs. Technology will replace HR operations, while analytics can be used to anticipate talent needs, identify retention risks, find talent, and spot leadership strengths and weaknesses.

FIGURE 5 UNDERSTANDING FUTURE SKILL REQUIREMENTS



Organizations should also ensure that they design work in such a way that it allows them to make use of contingent, contract and other external workers. Nearly half (49%) of Canadian respondents feel they aren’t yet doing this, as shown in Figure 6. Redesigning work so that tasks and deliverables can be provided by workers outside the company maximizes an organization’s ability to tap into a vast array of talent—from local universities to seasoned experts on the other side of the world. Those that can do so successfully will enjoy an important competitive advantage.

FIGURE 6 REDESIGNING WORK TO ACCESS SKILLS



REINVENTING HR



If leadership is to see HR as a trusted strategic resource that is integral to the organization's success, then HR must radically reinvent itself—fundamentally transforming both the services it provides and how they are delivered.

In today's environment, HR must be agile and tightly integrated with the business—and its professionals must be experts at identifying, attracting, retaining and developing talent and leadership potential. HR must be able to manage a diverse workforce that spans the globe, many of whom may be contract workers or freelancers who share their expertise on specific projects or challenges.

81% of Canadian respondents feel reinventing HR is an important or very important issue. Encouragingly, 77% of Canadian leaders feel their organizations are at least *somewhat* ready to address the issue.

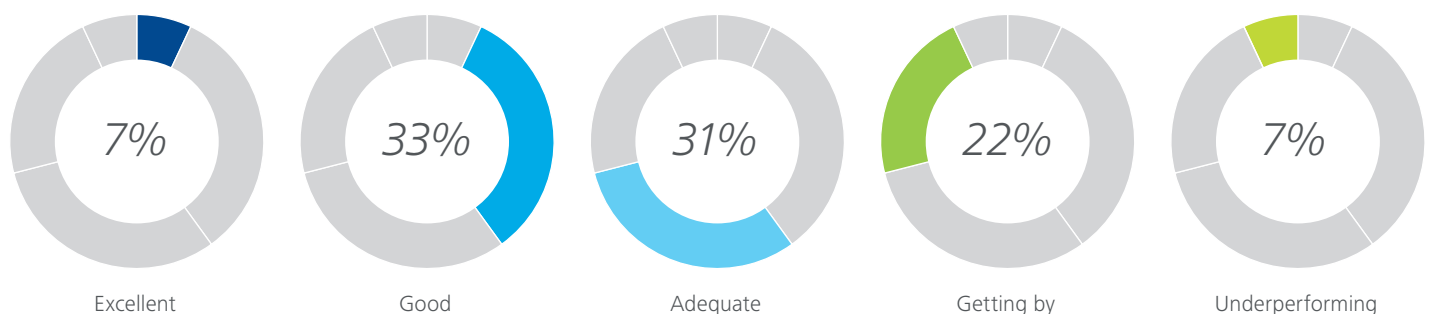
The need for change is critical—and urgent. As Figure 7 shows, only 7% of Canadian respondents feel their HR teams deliver “excellent” performance; 31% rate HR’s performance as merely adequate. Furthermore, nearly 40% feel that their HR teams are failing to deliver programs that align with the business’s needs.

These results suggest that Canadian organizations are willing to accept the status quo from their HR teams—but why? It may be that the investments needed to transform HR aren’t being made. It may be that leaders lack examples of what a truly strategic HR model that is well aligned with the key needs of the business looks like. Or it may be that HR teams are unwilling or unable to take the difficult and necessary steps needed to move away from old models and embrace a very different way of operating and impacting business outcomes.

But change is needed, because HR is simply not keeping up with the evolving needs of the businesses they support, nor with the pace of change itself.

Reinvention should begin by identifying HR’s new core responsibilities—with a strong focus on finding and enabling the talent that the business needs to grow, thrive and succeed. HR can then cast off non-core responsibilities, many of which will be the traditional, transactional activities to which too many departments still cling.

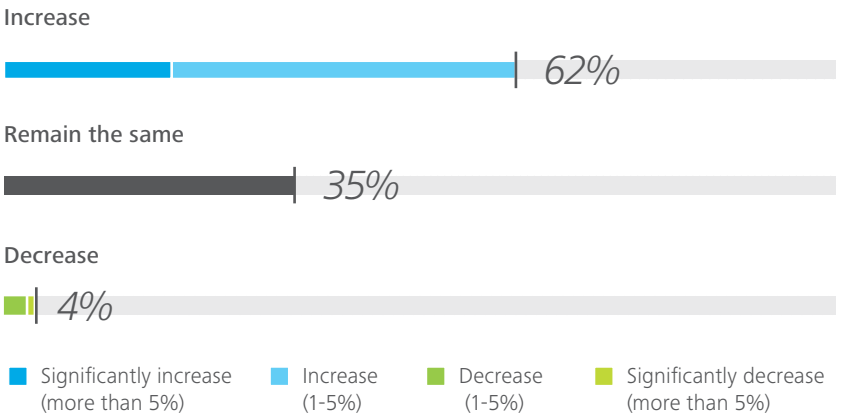
FIGURE 7 LEADERS’ PERCEPTION OF HR AND TALENT PERFORMANCE



This shift in priorities and responsibilities will require HR departments to invest in training their people to be true *advisors*, not just service providers. The “new” HR will require high performers who anticipate needs, understand business drivers, improve continuously, and embrace technology, analytics and other new tools to support their organization’s goals. CHROs and HR leaders will need not only to ensure their people have the skills and knowledge to work in new ways—they must also champion HR’s place as a strategic *business* advisor, not simply an advisor on “people matters.”

Reinvention of this scale will require sizeable investment, and we are encouraged to see that 62% of Canadian respondents intend to increase their investment in HR in the next few years (Figure 8). However, it is vital that organizations ensure these investments are used to drive meaningful HR transformation. HR leaders themselves need to ensure they use this opportunity to rethink their service models, deepen their expertise and retool their capabilities—not simply to enhance programs already in place.

FIGURE 8 PLANS TO INVEST IN HR IN THE NEXT 12-18 MONTHS





IT'S TIME TO HIT FAST-FORWARD ON CHANGE

Canadian business and HR leaders face a number of important challenges that will have a profound influence on their success in the years to come. New methods of identifying and developing leaders are needed to build and sustain the organizational cultures that help attract and retain outstanding talent. Organizations must adapt to a world where a substantial portion of the workforce will be engaged to address specific, often short-term needs. And crucially, HR departments must undergo a radical transformation, shedding their old transactional model to become the consultative partner their businesses so desperately need.

Addressing these challenges will take strong leadership from both business and HR leaders. It will also require an unflinching commitment to take quick action. There is no better time to hit fast-forward on the journey—to reinvent and build a new world of work!





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ABOUT THIS REPORT

This report, focusing specifically on human capital trends in Canada, was designed to complement the Deloitte report Global Human Capital Trends 2015: Leading in a new world of work, which is based on a comprehensive global survey of more than 3,300 business leaders and HR executives in 106 countries. This report examines specifically the Canadian results, based on 118 Canadian respondents.

For more information, visit deloitte.ca/hctrends2015

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